

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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In the Matter of a Petition for Extended Area
Service from the Taylors Falls Exchange to the
Metropolitan Calling Area

ISSUE DATE: December 4, 2001

DOCKET NO. P407, et al./CP-98-299

ORDER SETTING EAS RATE ADDITIVES
AND REQUIRING POLLING

PROCEDURAL HISTORY

On March 2, 1998, subscribers in the Taylors Falls exchange filed a petition for Extended Area Service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (MCA). Taylors Falls is currently served by Citizens Telecommunications Company of Minnesota, Inc. (Citizens).¹ The MCA is served by Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, Sprint and Qwest.²

On November 25, 1998, the Commission issued an Order finding that the proposed EAS route met the threshold requirements of adjacency and traffic volume. The Commission therefore directed the affected telephone companies to submit cost studies and proposed rates. The Commission would then poll Taylors Falls subscribers to determine if they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. With these issues largely settled, the Commission met on October 30, 2001 to again consider the Taylors Falls EAS petition.

¹ Taylors Falls was formerly served by GTE Minnesota.

² Bridge Water Telephone Company, Eckles Telephone Company, Frontier Communications of Minnesota, Inc., Lakedale Telephone Company, Scott-Rice Telephone Company, Sherburne County Rural Telephone Company, Sprint Telephone Company and U S WEST Communications (now Qwest Corporation), respectively.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.³ Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements. What remains is to determine the cost of the proposed routes, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

II. EAS Rate Additives Set

The companies' final cost studies, with the exception of Sprint's (which will be discussed below) pass muster under the standards set in the EAS Orders. They reflect actual, specific costs and sound accounting methods. They will be accepted.

³ In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

The rates based on these cost studies must be adjusted, however, because they reflect the former practice of pooling the total costs of proposed EAS routes and allocating those costs between affected exchanges and companies. While this practice was reasonable and equitable in a monopoly environment, the Commission has found that it is so anti-competitive in its potential effects that it cannot be permitted in the current, competitive environment.⁴ (The exception is School District EAS cases, where the Legislature has required inter-exchange cost-allocation to further overriding public policy goals.)

These adjustments yield the rates set forth below:

Rates for Polling Taylors Falls EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.44	\$9.54	\$9.98
Business	\$0.89	\$19.08	\$19.97

Citizens MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.02	\$0.02	\$0.04
Business	\$0.04	\$0.05	\$0.09

⁴ In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

QWEST's MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence	\$0.00	\$0.00	\$0.00
Business Flat	\$0.01	\$0.00	\$0.01
Business Msg	\$0.01	\$0.00	\$0.01
Trunks	\$0.01	\$0.00	\$0.01
Centron/ Centrex/Pub/ Semi-Pub	\$0.01	\$0.00	\$0.01

The rate additives for Bridgewater, Eckles, Lakedale, Scott-Rice, Sherburne and Frontier MCA exchanges are set forth below:⁵

Company	Service	EAS Additive ⁶
Bridgewater	Residence	\$0.003
	Business	\$0.005
	PBX Trunk	\$0.008
	Key System	\$0.006
	Centrex	\$0.005
Scott-Rice Prior Lake and New Market Webster	Residence	\$0.002
	Business	\$0.005
	Residence One Party	\$0.004
	Residence FX	\$0.006
	Business One Party	\$0.006
	Business FX	\$0.009
Lakedale	Digital Access Line	\$0.005

⁵ These carriers accumulate the fractional amounts until they reach an amount that justifies billing.

⁶ All of these companies, except Frontier, have not proposed any facilities costs, therefore, the EAS additive reflects lost access revenue only.

Company	Service	EAS Additive
Eckles	Residence - Town	\$0.005
	Residence - Rural	\$0.006
	Business - Town	\$0.008
	Business - Rural	\$0.009
	Key - Town	\$0.010
	Key - Rural	\$0.010
	PBX - Analog	\$0.013
	PBX - Digital	\$0.006
	Payphones	\$0.008
Sherburne	Residence One Party	\$0.005
	Business One Party	\$0.009
	Payphones	\$0.009

Frontier's MCA Exchanges EAS Rates			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence	\$0.000	\$0.001	\$0.001
Business	\$0.000	\$0.002	\$0.002
Key	\$0.000	\$0.002	\$0.002
Trunk	\$0.001	\$0.002	\$0.003
School Service	\$0.000	\$0.001	\$0.001

III. Sprint's Rate Additives

A. The Issue

The DOC challenged Sprint's EAS cost studies and proposed EAS rate additives. The DOC argued that Sprint projected expenses and lost access revenue over a five year period in order to determine its costs and that such methodology inflates the amount of cost and lost access revenue. The DOC further argued that none of Sprint's exchanges is adjacent to Taylors Falls and that Sprint has over-estimated its need for facilities.

The DOC indicated that both Sprint and Frontier serve multiple metro exchanges with limited calling that originates or terminates with Taylors Falls. The DOC used Frontier's facilities costs as a basis for estimating Sprint's facilities costs. By applying the ratio of lost access revenue to annual facilities cost for Frontier to Sprint the DOC came up with an estimate of Sprint's annual facilities costs. The DOC recommended that the Commission adopt the DOC's estimate of Sprint facility costs using Frontier's calculations as a proxy for Sprint's costs.

Sprint offered no support for its estimates of facilities cost or lost access revenue and did not reply to the DOC's comments.

B. Commission Action

The EAS cost studies are to determine what it will actually cost a specific company to install and operate a specific EAS route. The Commission agrees with the DOC that Sprint's methodology in this case is not reasonable in setting EAS rate additives. The Commission recognizes the similarities between Sprint's residential subscribers and Frontier's residential subscribers in the MCA exchanges and that Frontier's MCA exchanges are scattered about the MCA in a manner similar to Sprint's. Because of these similarities, the Commission will adopt Frontier's facilities cost and lost access revenue as a proxy for Sprint's costs, for purposes of this docket.

This adjustment yields the rates set forth below:

Sprint MCA Rates			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate ⁷
Residence	\$0.000	\$0.001	\$0.001
Business	\$0.000	\$0.001	\$0.001
Key/Trunk	\$0.000	\$0.001	\$0.001
Semi-Public	\$0.000	\$0.001	\$0.001
Coin	\$0.000	\$0.001	\$0.001
School Service	\$0.000	\$0.001	\$0.001

IV. Lower Cost Option for Taylors Falls Subscribers

The Commission generally affords subscribers in exchanges that petition for EAS to the MCA a lower cost option to the flat-rate EAS rates.⁸ In this case, the Commission will approve Citizens' existing lower cost option, Community Plus Plan, for subscribers in Taylors Falls. The lower cost option is set forth below:

⁷ The fractional amounts will be accumulated until they reach an amount that justifies billing.

⁸ See February 23, 1996, ORDER AFTER RECONSIDERATION, Docket No. P999/CI-94-296, *In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994)*.

Taylors Falls Exchange
Lower Cost Option

	Residence	Business
Monthly Basis Rate	\$14.25	\$28.50
Existing EAS Rate (1)	\$3.75	\$7.50
Lower Cost Option (2)	\$2.00	\$4.00
Total Monthly Rate	\$20.00	\$40.00

- 1) For unlimited calling to Almelund, Lindstrom and St. Croix Valley (Wisconsin).
Note: Lindstrom and North Branch are included in the metropolitan local calling area.
- 2) Additionally, usage charge of \$0.07 per minute applies.

III. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Citizens, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

The Commission will so order.

ORDER

1. The final cost studies filed by Citizens, Qwest, Bridgewater, Eckles, Lakedale, Scott-Rice, Sherburne and Frontier are hereby accepted and approved. Sprint's cost studies are rejected and Frontier's cost estimates are hereby adopted as a proxy for Sprint's costs.
2. All subscribers in the Taylors Falls exchange shall be polled on whether they favor installing the EAS routes proposed at the rates approved herein, which are shown below:

Rates for Polling Taylors Falls EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.44	\$9.54	\$9.98
Business	\$0.89	\$19.08	\$19.97

3. The EAS rate additives, as set forth below, for Citizens MCA exchanges and Qwest MCA exchanges are hereby approved.

Citizens MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.02	\$0.02	\$0.04
Business	\$0.04	\$0.05	\$0.09

QWEST's MCA Exchanges EAS Rates			
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Business Msg	\$0.01	\$0.00	\$0.01
Trunks	\$0.01	\$0.00	\$0.01
Centron/ Centrex/Pub/ Semi-Pub	\$0.01	\$0.00	\$0.01

4. The rate additives for Bridgewater, Eckles, Lakedale, Scott-Rice, Sherburne, Frontier and Sprint, as set forth in Sections II and III, herein, are hereby approved.
5. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customers' bills.

6. Citizens Community Plus Plan is hereby approved as the lower cost option to the Taylors Falls' subscribers.
7. Citizens shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by Commission staff.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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